Effects of e-Service Quality on Perceived Value, Satisfaction, and Reuse Intentions in Online Hotel Booking: Evaluating Hotel-owned and OTAs' Web sites

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ABSTRACT

As many travelers use online for their travel arrangement, hotels provide online reservation system, so as to take the benefits of internet marketing such as the cost reduction. However, there has been minimal research regarding a detailed examination of hotel booking Web sites and e-service performance on customers' reuse intentions for online hotel reservation. This paper thus examines the effects of five e-service quality dimensions on user's perceived value, satisfaction and intention to re-use hotel booking Web sites. Also, this article compares the results of two types of hotel reservation Web sites (hotel-owned vs. OTA web sites). Data will be collected from an online survey of undergraduate college students at five universities in the United States. All items will be evaluated using same five-point Likert scales. A primary analysis of the data will be the structural equation modeling (SEM) technique to test the research model.

Keywords: *Online hotel booking, e-service quality, hedonic dimensions, user's intentions, user's perception, satisfaction.*

INTRODUCTION

Without any geographical and physical barriers, the internet has been considered a competitive marketing channel in the hospitality and tourism industry (Doolin et al., 2002). Rather than actually going to a travel agent, travelers increasingly prefer interacting with the travel business online to conveniently obtain information on destinations, prices or schedules (Greenspan, 2004). Accordingly, many hotels have regarded the internet as a new and efficient marketing environment. For example, O'Connor and Frew (2004) found the cost reduction by using electronic strategies in a cheaper distribution system to be one of the main advantages for hotels. Despite the benefits of online marketing, hotels still face substantial challenges since the Online Travel Agent (OTA)'s web site still handles a significant portion of online reservations (Law and Cheung, 2006).

Even though hotel reservations constitute the second most frequently purchased travel product online according to Card et al. (2003)'s empirical study, relatively little research has been devoted to a detailed examination of online hotel reservation web sites. Furthermore, there has been minimal research to date regarding e-service performance on reuse intentions for online hotel booking.

Thus, the primary objective of this article is twofold: 1) examining the effects of e-service quality dimensions on user's perceived value, satisfaction with Web site use and intentions to re-use hotel booking Web sites, and 2) comparing the results of two types of hotel booking web sites (hotel-owned vs. OTA web sites) to assess whether there are significant differences in terms of effect sizes of e-service quality on three outcome variables. For e-service quality, this article uses the Transaction Process-based Framework (eTransQual)

conceptualized by Bauer et al. (2006). The present study is expected to provide marketers a better understanding of both the strengths and weaknesses of their web pages, so they can make appropriate strategies for the distribution channel. Thus, marketers are likely to improve their effectiveness in motivating travelers to reserve a room on their web pages (Morosan and Jeong, 2008).

LITERATURE REVIEW

Online hotel reservation

Due to the rapid diffusion of Internet users (Li and Law, 2007), most travel arrangements have been recently constructed on the online. Accordingly, many hotels have regarded the internet as a new and efficient marketing environment. O'Connor and Frew (2004) found that one of main advantages of the internet distribution for hotels is the cost reduction. As hotels use the internet to sell and advertise their rooms and products, they are able to enhance their electronic strategies on a cheaper distribution system (O'Connor and Frew, 2004).

Despite the benefits of online marketing, hotels are still facing with substantial challenge in terms of electronic distribution due to the emergence of huge online travel agents, namely intermediaries (O'Connor and Murphy, 2004). As the one-stop portal web site with providing extensive useful information about travel products and deeply discounted rates, they have been attracting customers to visit and purchase the products on their web sites (Morosan and Jeong, 2008). According to Carroll and Siguaw (2003), selling large volume of hotel rooms on OTAs' web sites draw hotels into a "disadvantageous position" in the travel market. To avoid this, travelers are persuaded to reserve a room directly on the Hotel-owned web sites by hotels (Morosan and Jeong, 2008).

E-service quality

While the items in the scale of traditional offline service quality were measured by comparing customers' expectations with firms' actual service performance (Sasser, Olsen, and Wyckoff, 1978), items evaluating electronic service quality were changed to adapt to the electronic context (Parasuraman et al., 2005). For example, items in part of tangible should be substituted to items about Website design or appearance on evaluations of electronic service quality (Parasuraman et al., 2005). With the recognition of the difference measuring service quality between online and offline, dimensions in the evaluation of electronic service quality are required to develop rather than simply adapting traditional offline scales (Parasuraman et al., 2005).

Much scholarly work has been done on the topics of e-service quality and its dimensions. According to Santos (2003), E-Service Quality can be described as entire customer perceptions or evaluations of electronic service experience of the online marketplace. Several different scales have been developed to measure E-service quality. The SERVQUAL scale has been recently employed by Barnes and Vidgen (2001), Kuo (2003), and Negash et al. (2003). Barnes and Vidgen (2001) proposed a WebQual scale with five key dimensions: tangibles, reliability, responsiveness, assurance and empathy to analysis online book trade. Zeithaml et al. (2002) and Parasuraman et al. (2005) empirically examined E-S-QUAL, a multiple item scale with core service quality aspects and four dimensions: efficiency, privacy, fulfillment and availability. The eTailQ scale developed by Wolfinbarger

and Gilly (2003) provided four quality dimensions: fulfillment/reliability, customer service, web design and security/privacy.

However, none of these scales adequately evaluate E-service quality due to the absence of any dimensions referring to hedonic quality items (Bauer et al., 2006). Bauer et al. (2006) thus suggested a Transaction Process-based Framework (eTransQual), which includes intangible and emotional elements as well as utilitarian benefits, so as to comprehensively assess the E-service quality, and provides five quality dimensions: functionality/design, reliability, process, responsiveness and enjoyment (Bauer et al., 2006).

RESEARCH MODEL AND HYPOTHESIS

This study develops a research model for understanding the customer perception of hotel online booking. The model proposes that e-service quality dimensions are causally linked to the two performance measures of perceived value and customer satisfaction, and in turn, influence customer reuse intentions (see Figure 1).

The influence of e-service quality dimensions on e-service performance has been studied extensively (Bauer, et al., 2006; Lee and Lin, 2005; Parasuraman, 2005; Chen and Dubinsky, 2003; Wolfinbarger and Gilly, 2003). They found that the customer satisfaction and perceived values are assessed using the quality of the web site. A recent empirical study found that the quality of web site is positively associated with customers' perceived value (Bauer, et al., 2006; Parasuraman, 2005; Wolfinbarger and Gilly, 2003).

Previous studies have suggested that customer perceived values and satisfaction positively influence repurchasing intentions. For example, Parasuraman (2005), Lee and Lin (2005) and Chen and Dubinsky (2003) noted that perceived values and customer satisfaction significantly influence customer retention, market share, and profitability. Moreover, Lee and Lin (2005) and Chen and Dubinsky (2003) considered customer satisfaction and perceived value mediators of the relationship between customer perceived quality and customer repurchase intentions.
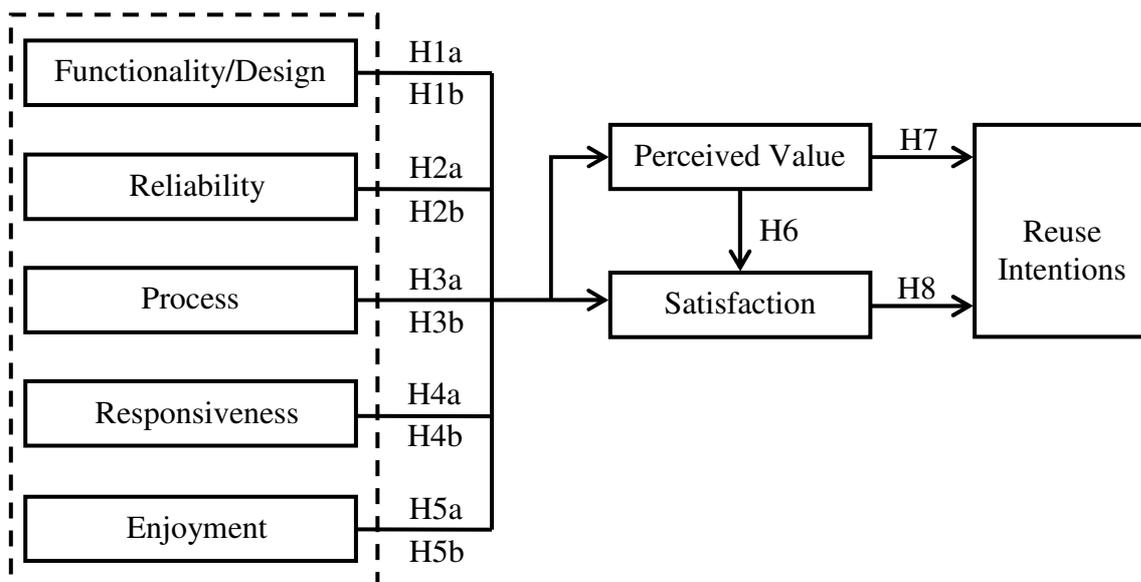
Figure 1
Proposed Model

METHODS

Data will be collected from an online survey of undergraduate college students enrolled in ten courses at five universities in the Mid-western- and Northeastern- USA. Constructs in the proposed model will be evaluated using multiple item measures. All measures will be modified to reflect the context of online hotel booking. Five dimensions of e-service quality will be measured by 25items developed by Bauer et al. (2006). Perceived value will be measured as agreement with three cost/benefit statements adopted from Bauer et al. (2006). Satisfaction will be measured by four items, as proposed by Henning-Thurau et al. (2002). An example is: "my choice to book a hotel from this website was a wise one." Reuse intentions will be measured by three items in line with Homburg and Griering (2000). An example of an item measuring reuse intentions is: I will do more hotel booking with the website in the next few years. All items will be evaluated using same five-point Likert scales ranging from very strongly disagree (1) to very strongly agree (5).

Exploratory Factor Analysis (EFA) will be undertaken to evaluate applicability of e-service quality in hotel setting by identifying underlying dimensions of e-service quality and , if necessary, to reduce a number of variables to a smaller number - in other words, scale refinement. Next, confirmatory factor analysis (CFA) will be conducted to confirm and validate e-service quality dimensionality. In this method, the factor structure of e-service quality will be evaluated (first-order vs. second-order factor). After that, the full measurement model including other outcome variables (perceived value, satisfaction and intention) will be tested for measurement validity. Structural equation modeling (SEM) will be used to test the measurement model by assessing convergent and discriminant validity and the structural model by evaluating the hypothesized relationships.

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